

UNRECORDED
JAN 28 1931

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INTERNATIONAL SHOE Co.

MANUFACTURERS

1501-1509 Washington Avenue

St. Louis, Mo.

November 30, 1931

BOARDS
9884.38
1041

INTERNATIONAL SHOE Co.

MANUFACTURERS

1501-1509 Washington Avenue

St. Louis, Mo.

November 30, 1931

December 30th, 1931.

TO OUR STOCKHOLDERS:

Financial report showing the results of the International Shoe Company's operations for the fiscal year ended November 30, 1931, is enclosed.

Orders received from customers during this year showed an increase of 8,500 pairs a day over last year. The Company's factories produced 44,807,238 pairs of shoes—an increase of 620,716 pairs over 1930. This year's production is 91% of the Company's average annual production for the last five years, which include the peak years of '27 and '29.

Net sales of \$86,802,293.95 against \$102,393,618.11 for last year show a dollar volume decrease—attributable largely to reduced prices, but also to the public demand for lower grades in all types of merchandise.

Our subsidiary plants (tanneries of sole leather and upper leather, textile mill, factories making all leather counters, heels and soles, rubber heels and soles, welting, box toes, cartons and containers, chemicals, cement, etc.) produced during 1931 shoe materials and shoe supplies amounting to \$45,677,077.24, which, combined with our sales, made an aggregate of \$132,479,371.19 business transacted.

Net earnings (after taxes) for the fiscal year were \$9,744,815.28, which (after payment of preferred dividends) represent an earning of \$2.55 a share on the Common Stock based on the average shares outstanding.

While there have been, during the year, some rather wide fluctuations in the hide and leather markets, advances have been so temporary that the net result has been the equivalent of a steady decline—reaching at the close of our fiscal year the lowest hide and skin prices that have prevailed for fifteen or twenty years. Our inventories are valued at those prices or at cost, whichever is the lower.

Reductions in shoe prices have been made from time to time throughout the year. Our salesmen will be in their territories on January 4th with new lines of samples at reduced prices, based on the low inventory values above mentioned.

Lower price lines in nearly all types of merchandise fill a definite need at this time; but lasting good-will and continued success are secured by manufacturers and merchants who make and sell at attractive prices, products that bear the hall-mark of quality and character. Because of this firm conviction, in the construction of our shoes we have clung continuously to a high standard of quality—which has attracted the attention and won the confidence of the consuming public.

Because of the decline in merchandise values since 1929, less capital has been required in the Company's operations and this has resulted in large increases in its cash balances, the profitable and safe investment of which has become more and more difficult. With this problem before us, the Company has used \$12,039,365.65 of its cash in the acquisition of 250,000 shares of its Common Stock, which are being held as Treasury Stock—thereby reducing dividend requirements \$750,000 per annum at the present dividend rate. This has been accomplished with practically no change in the Company's liquid condition—its cash and call loans at the end of the year amounting to \$21,382,687.51, and the ratio of Current Assets to Liabilities remains approximately the same as the year before—20 to 1.

Several plans for aggressive sales in 1932 have been formulated. Among others, the Company has acquired the well-known "Queen Quality" and "Dorothy Dodd" brands, with which we hope to increase materially our volume in cities and larger towns. In this year our high grade "Vitality Shoes" have received favorable endorsements of merchants, with continuous growth in volume of sales. These three popular brands should counteract to a large extent the widespread demand for lower grades.

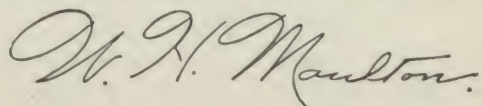
Thoughtful consideration has been given to the important factor of expense or overhead costs. Effective steps to this end have been taken, for it is clearly recognized that low overhead costs not only stimulate sales, but support the sound principles on which this Company has successfully operated.

The disturbed and uncertain economic conditions of all nations have necessarily been reflected to some extent in this year's operation; but the Company has made progress in its distribution and has shown an earning capacity which is not only gratifying but assuring.

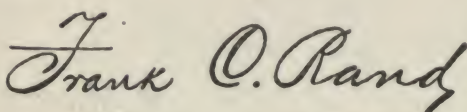
The strong financial condition of your Company together with an efficient loyal force of men in sales and production enable your officers to approach next year with confidence. Constant improvement in attractiveness of International Shoes, and the good-will that has resulted from their honest construction, form a solid foundation on which healthy and permanent growth is assured.

Respectfully submitted,

INTERNATIONAL SHOE COMPANY,



President.



Chairman of the Board.

INTERNATIONAL

CONSOLIDATED

As at Novem

ASSETS

CURRENT ASSETS:

Cash in Banks and on Hand.....	\$19,382,687.51	
Brokers Collateral Loan, secured by Listed Marketable Securities.....		2,000,000.00
Accounts Receivable:		
Customers, less Reserve for Discounts and Doubtful Accounts.....	\$ 16,124,972.16	
Salesmen's Traveling Advances and Sundry Accounts.....	67,934.71	16,192,906.87
Inventories at Cost or Market whichever lower:		
Manufactured Merchandise.....	\$ 8,979,859.15	
Raw Materials, Merchandise in Process, and Supplies.....	13,205,807.48	22,185,666.63
TOTAL CURRENT ASSETS:.....	\$ 59,761,261.01	
Expenses Paid in Advance—Insurance Premiums, Taxes, and Other Deferred Charges to Operations.....		447,969.60
Employees Notes Receivable, secured by 273,714 shares of Common Stock and 2,150 shares of Preferred Stock.....		7,893,045.94
Investments in Stocks and Bonds of Other Companies, Etc.....		302,129.45
Physical Properties at Tanneries, Shoe Factories, Supply Departments, and Sales Branches (Based on Appraisal as of April 30, 1925, plus Subsequent Additions at Cost):		
Land and Water Rights.....	\$ 2,090,876.98	
Buildings and Structures.....	23,455,571.09	
Machinery and Equipment.....	18,231,431.58	
Lasts, Patterns, and Dies.....	1.00	
TOTAL.....	\$ 43,777,880.65	
Less—Reserve for Depreciation	15,987,231.99	
Net Depreciated Sound Value of Physical Properties.....		27,790,648.66
TOTAL.....	\$ 96,195,054.66	

SHOE COMPANY

BALANCE SHEET

ber 30, 1931

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable for Merchandise, Expenses, and Payrolls.....	\$ 1,389,248.76
Officers and Employees Balances and Deposits.....	263,918.32
TOTAL.....	\$ 1,653,167.08
Reserve for Income Taxes.....	1,360,000.00
TOTAL CURRENT LIABILITIES.....	\$ 3,013,167.08
Reserve for Dividends on Preferred Stock.....	50,000.00
Insurance Reserves.....	415,787.44

CAPITAL STOCK:

Preferred Stock—6% Cumulative:

Authorized 250,000 shares of \$100.00 each, whereof Outstanding—	
100,000 shares.....	\$ 10,000,000.00

Common Stock:

Authorized 4,000,000 shares without Nominal or Par Value:

Issued.....	3,760,000 shares	
In Treasury	250,000 shares	
Outstanding....	3,510,000 shares	70,200,000.00
Earned Surplus.....		12,516,100.14
TOTAL CAPITAL AND SURPLUS.....		\$ 92,716,100.14

Contingent Liabilities—None Reported.

TOTAL.....	\$ 96,195,054.66
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INCOME ACCOUNT

For the year ended November 30, 1931

Net Sales of Shoes and Other Manufactured Merchandise, after deduction of Returns and Allowances for Prepayments.....	\$ 86,802,293.95
Cost of Shoes and Merchandise Sold, after charging Operating Expenses, Maintenance of Physical Properties, Selling, Administrative, and Warehouse Expenses, and Credit Losses, less Discount on Purchases.....	\$ 74,667,869.94
Depreciation of Physical Properties.....	1,701,724.59
	<u>76,369,594.53</u>
NET OPERATING PROFIT.....	\$ 10,432,699.42
Miscellaneous Income.....	655,435.72
NET EARNINGS.....	\$ 11,088,135.14
Provision for Income Taxes.....	1,343,319.86
NET INCOME FOR YEAR.....	<u>\$ 9,744,815.28</u>

COMMON STOCK CAPITAL AND SURPLUS ACCOUNT

Common Stock Capital and Surplus, as at November 30, 1930:	
Common Stock Capital (Outstanding 3,760,000 shares).....	\$ 75,200,000.00
Earned Surplus.....	21,151,234.76
TOTAL.....	\$ 96,351,234.76
Deduct—Cost of 250,000 shares of Common Stock placed in Treasury.....	12,039,365.65
	<u>\$ 84,311,869.11</u>
Net Income for the year ended November 30, 1931.....	9,744,815.28
	<u>\$ 94,056,684.39</u>
Dividends Paid:	
Preferred Stock, \$6.00 per share.....	\$ 600,000.00
Common Stock, \$3.00 per share.....	11,280,000.00
	<u>\$ 11,880,000.00</u>
Less—Dividends on Common Stock in Treasury.....	539,415.75
	<u>11,340,584.25</u>
Common Stock Capital and Surplus, as at November 30, 1931....	\$ 82,716,100.14
Divided as Follows:	
Common Stock Capital (Outstanding 3,510,000 shares).....	\$ 70,200,000.00
Earned Surplus.....	12,516,100.14
	<u>\$82,716,100.14</u>

INTERNATIONAL SHOE COMPANY,
St. Louis, Missouri.

We have examined the accounts of the International Shoe Company and Subsidiaries for the year ended November 30, 1931. In our opinion, based on our examination and information furnished to us, the accompanying Balance Sheet and relative Profit and Loss and Surplus Accounts set forth the financial condition of the Company as at November 30, 1931, and the result of the operations for the year.

PEAT, MARWICK, MITCHELL & CO.

St. Louis, Missouri,
December 24, 1931.

OFFICERS

FRANK C. RAND	Chairman of the Board
WILLIAM H. MOULTON	President
HORTON WATKINS	Vice-President
JAMES T. PETTUS	Vice-President
PAUL B. JAMISON	Vice-President
OLIVER F. PETERS	Vice-President
THEODORE MORENO	Vice-President
C. D. P. HAMILTON	Vice-President
ANDREW W. JOHNSON	Vice-Pres. and Treasurer
BYRON A. GRAY	Secretary and Auditor
WILLIAM N. SITTON	Assistant Treasurer
ALBERT H. JENKINS	Assistant Secretary

DIRECTORS

ROBERT E. BLAKE	H. EUGENE JONES
EDGAR L. BLAND	THEODORE MORENO
CLARENCE H. FIELDER	WILLIAM H. MOULTON
ARTHUR B. FLETCHER	OLIVER F. PETERS
BYRON A. GRAY	JAMES T. PETTUS
H. ROY GREEN	FRANK C. RAND
FRED HUME	JOSEPH O. RAND
LEWIS B. JACKSON	CARLOS REESE
H. STUART JAMISON	WILLIAM N. SITTON
PAUL B. JAMISON	SAMUEL M. TIPTON
H. EDGAR JENKINS	GRIFFIN WATKINS
ANDREW W. JOHNSON	HORTON WATKINS

SALES BRANCHES

ST. LOUIS

Roberts, Johnson & Rand
Peters
Friedman-Shelby
Continental Shoemakers
Pennant Shoe Co.
Vitality Shoe Co.
Queen Quality Shoe Co.
Dorothy Dodd Shoe Co.

NEW YORK

Morse & Rogers

BOSTON

Hutchinson-Winch

MANCHESTER, N. H.

Great Northern Shoe Co.
Interstate Shoe Co.

SHOE FACTORIES AND SUBSIDIARY PLANTS

MISSOURI

St. Louis
Hickory St. & Mississippi Ave.
Broadway, Cherokee St. & Lemp Ave.
St. Louis & Jefferson Aves.
Thirteenth & Mullanphy Sts.
Twelfth & North Market Sts.
Jefferson Ave. & Madison St.
Glasgow Ave. & North Market St.
3417 Locust St.
Bland
Cape Girardeau
De Soto
Hannibal
Seventh & Collier Sts.
S. W. Cor. Maple Ave. & Collier St.
S. E. Cor. Maple Ave. & Collier St.
Hermann
Higginsville
Jackson
Jefferson City
Bolivar & McCarty Sts.
Main & Linn Sts.
Kirksville
Marshall
Mexico
Perryville
St. Charles
St. Clair
Sikeston
Sullivan
Sweet Springs
Washington
Windsor

ILLINOIS

Anna
Belleville
Chester
Evansville
Flora
Jerseyville
Mt. Vernon
Olney
Pittsfield
Quincy
Springfield
Steeleville

NEW HAMPSHIRE

Claremont
Keene
Manchester
Nashua
Newport

KENTUCKY

Paducah

ARKANSAS

Malvern

TANNERIES

ILLINOIS

South Wood River

MISSOURI

St. Louis
Thirteenth & Mullanphy Sts.

NEW HAMPSHIRE

Manchester
Merrimack

NORTH CAROLINA

Morganton
North Wilkesboro

PENNSYLVANIA

Mt. Jewett
Philadelphia

